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GRANT H-SWIFT

*The History of the Comstock Lode*

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est rates. \* \* \* From Austin and Aurora and Humboldt the same cry of dull times comes up unceasingly.

The complaint was general, and every reason given for it except the real ones—that the boom was a California brainstorm and that known ore bodies were failing. Yet men continued to look for new discoveries and a better market until the panic of 1865 blasted their hopes.

ENTER WILLIAM SHARON

The year 1864 was long remembered as the date of the arrival of William Sharon, who, with the powerful support of William C. Ralston and D. O. Mills in San Francisco, was to be the czar of the Comstock for seven years, from 1867 to 1874.

Ralston, the most generous, popular, and daringly enterprising banker in San Francisco for many years, was interested in the Comstock mines from the beginning. He was made treasurer of the Ophir and the Gould & Curry when they were incorporated in 1860, and thereafter became treasurer of nearly all of the leading mines. He had been a partner for several years in the banking firm of Donohue, Ralston & Co., from which he withdrew early in 1864. In June of that year he organized The Bank of California, with a capital of \$2,000,000,<sup>3</sup> and a strong representative group of incorporators and stockholders. D. O. Mills became first president. Ralston, as cashier and manager, and later as president, dominated its affairs until his death in 1875.

The new bank opened its doors for business on July 5, 1864, and Ralston, with four years connection with the Comstock and a close acquaintance with local conditions, opened a branch bank in Virginia City with William Sharon as manager.

Sharon, a cold, vain, grey-eyed little man, topped-off with a tall plug hat, was forty-three years old when he came to the Comstock. Cynical and worldly-wise, he was the very antithesis of the men with whom he was to deal. He had been admitted to the bar, had been a merchant and trader, and, in San Francisco, a politician, real estate speculator, and, finally, a mining stock speculator, in which he lost his fortune. He was ripe for a new adventure.

D. O. Mills was a banker and businessman of Sacramento;

<sup>3</sup>This was in gold—equivalent to double the amount in greenbacks. The Pacific Coast did business on a gold and silver basis all during the greenback period, from 1862 to 1879.

reserved, cautiously venturesome, of rare financial ability and excellent character. He removed to New York City in 1876, lived long, and became one of the wealthiest men in the United States.

Alvinza Hayward, who joined Sharon and Mills in the Comstock venture in 1867, had already made a fortune through the ownership of the famous Eureka gold mine at Sutter Creek, California. He was a fine-looking, agreeable man, who remained faithful to his associates and shared in their good fortune until he and Superintendent J. P. Jones conspired to take control of the Crown Point away from them soon after its bonanza was discovered.

Sharon began to lend money on mills and other property at 2 percent a month, in competition with the ruling rate of 5 percent, and found eager borrowers. While no one anticipated that the depression would deepen until it culminated in the panic of December 1865, Sharon took the risks of an adventurer in lending the bank's money so freely when the bottoms of all of the early ore bodies had been found and no one knew whether others would occur below. The market had been falling steadily throughout 1864, and by the time the agency was opened for business, early in November, the stocks of the leading mines had lost two thirds of their value of the year before. Sharon might well have paused, even though his loans did not imperil the bank.

Both Ralston and Sharon were daring men and doubtless planned more than banking, but it is inconceivable that either looked forward to the almost complete control of the Comstock which followed. The hard times of 1865 and the halting recovery thereafter created the opportunity, and, indeed, forced it upon them as mills and other properties fell into the bank's hands.<sup>4</sup> Fortunately the Comstock revived in 1866 and enjoyed three years of moderate prosperity, during which Sharon made himself master of the Lode. The stock market was not very active during that period, there were no longer any strong competing interests, and the bank's money paved the way. By May 1867 the bank had seven mills on its hands, which Sharon and his associates could use, as they already had control of the Yellow Jacket and the Chollar-Potosi and were planning the control of other large producers. Accordingly, in June of that year, Sharon, Ralston, Mills, and Hayward took over the mills and formed the Union Mill and Mining Company. Two years later they

<sup>4</sup>Lord's *Comstock Mining and Miners*, p. 246 (1883).

controlled all of the leading mines. Sharon wanted a competitive mission by withholding ore from those in control of mines before.

The Bank of California (gold) in 1866, and became the foremost financial institution in the Territory.

The control of the mines was in Sharon's hands but enabled Sharon to control the various boards and his friends. The management of the bank and he controlled the Territory.

Fortune again favored them as the "Bank Crowd," in the Territory when the last of the early ore bodies were found and the ruin threatened them and the loss of the bank's capital on the market. Sharon's success in obtaining complete personal control of the Crown Point bonanza saved them.

#### CIVIL WAR SPIRIT

Full telegraphic news of the Civil War was a feature in all of the papers of the Territory. Volunteers were enrolled daily in the ranks, but the "sesesh," made up in violence of spirit, although the leaders were to invite a sojourn at Fort (the "guests" were invited to the grounds for exercise.

The Territory seethed with excitement over the election of 1863, over the election to frame a constitution for the Territory between the Union Party and the seceders, overwhelmingly in the majority by popular vote, because of the list of state officers.

<sup>5</sup>Lord's *Comstock Mining and Miners*, p. 246 (1883).

<sup>6</sup>So Sharon told Lord. *Comstock Mining and Miners*. The only virtue Sharon claimed was that he was loyal to his friends.

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controlled all of the leading mines and had seventeen mills.<sup>5</sup> If Sharon wanted a competitive custom mill he starved it into submission by withholding ore. His system of private milling by those in control of mines became a Comstock custom.

The Bank of California increased its capital to \$5,000,000 (gold) in 1866, and became and remained for many years the foremost financial institution on the Pacific Coast.

The control of the mines not only insured a monopoly of milling but enabled Sharon to dictate highly profitable milling contracts to the various boards of trustees (directors) elected by him and his friends. The management of the mines also was in his hands and he controlled them as if he were sole owner.

Fortune again favored the combination, which became known as the "Bank Crowd," in that even more depressing year of 1870, when the last of the early ore bodies was nearing exhaustion and ruin threatened them and the bank. They had loaned three fifths of the bank's capital on the Comstock and attendant industries,<sup>6</sup> in obtaining complete personal control—and the lucky discovery of the Crown Point bonanza toward the end of the year was all that saved them.

#### CIVIL WAR SPIRIT—NEVADA BECOMES A STATE

Full telegraphic news of the progress of the Civil War was a feature in all of the papers. War spirit was at fever heat; volunteers were enrolled daily. The Unionists were largely in the majority, but the "sesesh," or copperheads as they were called, made up in violence of speech what they lacked in numbers, although the leaders were careful not to become so offensive as to invite a sojourn at Fort Churchill in the Carson Desert, where the "guests" were invited to pack bags of sand around the parade grounds for exercise.

The Territory seethed with political excitement during the fall of 1863, over the election of delegates to a convention that was to frame a constitution for the proposed State. The contest was between the Union Party and the Democrats and the former was overwhelmingly in the majority. That constitution was rejected by popular vote, because of the provision taxing the mines and because the list of state officers to be voted upon at the same time

<sup>4</sup>Lord's *Comstock Mining and Miners*, pp. 246-248 (1883).

<sup>5</sup>So Sharon told Lord. *Comstock Mining and Miners*, p. 279 (1883).

The only virtue Sharon claimed was that he told the truth. It was also said that he was loyal to his friends; women were his bane.

## CHAPTER XV

## The Gloomy Year of 1870—The Crown Point Revival in 1871—

## The Boom of 1872—Sharon-Jones Contest for Senator.

The year 1870 was the darkest year in the history of the Comstock up to that time, although the production of \$8,319,698 slightly exceeded that of 1869 owing to a substantial increase from the Chollar-Potosi and the Yellow Jacket, which had found new ore bodies of limited extent.<sup>1</sup>

Extensive development work on all of the lower levels had been discouraging. In the Gould & Curry and the Chollar-Potosi the walls of the Lode had almost come together. Besides, nearly all of the mines were struggling with increasing flows of water. Most of the upper bonanzas had played out at 500 feet. The only mines whose ore had extended to the 1000-foot level were the Savage, the Hale & Norcross, and the Yellow Jacket, and that was becoming narrower and poorer. The most hopeful view was that the mines had reached a barren zone and that other ore bodies would be found below. A vain hope it proved in after years, for the Lode continued barren to the deepest levels from the Gould & Curry to the Crown Point.

Stockholders were becoming discouraged and allowing their shares to be sold for assessments, which placed the burden upon those in control—chiefly Sharon and his associates. Stocks had fallen so low that the market value of a number of the prominent mines was far less than the cost of the machinery. This was especially true of the Crown Point and the Belcher. The former, with 12,000 shares, sold for \$2 a share in November 1870. The Belcher, with 10,400 shares, was selling at \$1; its shaft was full of water to the 800-foot level, and the mine was all but closed down. The total market value of the stocks of all of the leading mines on the Lode in November was less than \$4,000,000. The Consolidated Virginia, after a last despairing effort on the part of the old stockholders, ceased to operate and the stock fell to \$1 a share.

<sup>1</sup>The forty mines operating on the Comstock lode produced 2,000,000 tons of ore during the years 1866-1870, inclusive, yielding \$60,000,000, or \$30 a ton. The dividends amounted to \$12,184,920, and the assessments totaled \$7,253,634, leaving a profit of \$5,031,866. The only highly profitable period was during the '70s when the Crown Point and Con. Virginia bonanzas paid \$100,000,000 in dividends. But even then the heavy assessments levied by the other mines reduced the net profit of the mines on the main Lode to \$55,000,000.

A number of the leading Comstock in 1870 for the more productive silver-leads just coming into prominence.

Ralston and Sharon had staked everything on the future made fortunes, but the so perilous condition at that time.

Mr. Sharon has said that the Bank of California at San Francisco, the towns directly dependent on the success of the Comstock capital of the bank in the great moneyed in the loss of this investment a calamity, would have and certainly have cried directly acquainted with ever realize the anxiety at the close of the year.

Sharon's biography states that the peril which threatened him produced another bonanza. Crown Point was about to be closed. If that bonanza had not been found, it would have ceased along with the extraction of the ore from the Sutro Tunnel, which was shut down at the end of 1870, and that it had 18,739 feet further to go.

Perhaps years would have been made to find ore with doubtful success. That later in the entire length of the places. By a freak of fortune on the Comstock—the Belcher and Virginia—were to be its.

<sup>2</sup>*Comstock Mining and Miners*

<sup>3</sup>"A year ago the Crown Point mine in January, as it could only be seen, the prospects ahead were decided in 1871.

A number of the leading mining men and many miners left the Comstock in 1870 for the great silver camp of Pioche and the still more productive silver-lead camp of Eureka, both of which were just coming into prominence.

Ralston and Sharon were almost panic-stricken. They had staked everything on the future of the Lode—not only their newly made fortunes, but the solvency of the Bank. Lord tells of the perilous condition at that time:

Mr. Sharon has said that the amount invested by the Bank of California at one time in the mines, mills, and towns directly dependent upon the continued productiveness of the Comstock Lode was \$3,000,000. The whole capital of the bank in 1870 was \$5,000,000, and, though the great moneyed institution of the Pacific Coast, the loss of this investment, or even a popular dread of such a calamity, would have endangered its very existence, and certainly have crippled it for a time. Only the few directly acquainted with the condition of the bank will ever realize the anxieties which beset its management at the close of the year 1870.<sup>2</sup>

Sharon's biography states that "Ralston revealed to Sharon the peril which threatened him and the bank" unless the Comstock produced another bonanza. It was a narrow escape for the Crown Point was about to be closed down when the discovery was made.<sup>3</sup> If that bonanza had not been found it is probable that pumping would have ceased along the Lode and mining thereafter confined to the extraction of the remaining ore on the upper levels. The Sutro Tunnel, which was started in a small way in October 1869, would have been abandoned. Only 1,750 feet had been dug at the end of 1870, and that of small size and cheap construction. It had 18,739 feet further to go before reaching the Lode.

Perhaps years would have elapsed before renewed efforts would have been made to find ore below the 1000-foot levels, and then with doubtful success. The only two large ore bodies discovered later in the entire length of the Lode were found in unlikely places. By a freak of fortune three of the most discredited mines on the Comstock—the Belcher, the Crown Point, and the Con. Virginia—were to be its saviors. While the stock market and

<sup>2</sup>Comstock Mining and Miners, p. 279 (1883).

<sup>3</sup>"A year ago the Crown Point Company had concluded to shut down their mine in January, as it could only be kept working by levying assessments and the prospects ahead were decidedly gloomy." *Gold Hill News*, September 16, 1871.

## XV

### Crown Point Revival in 1871— Bonanza Contest for Senator.

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the assessment system have much to answer for, it should be remembered that neither the Crown Point nor the Con. Virginia bonanza would have been discovered without their aid. While Ralston and Sharon milked the Comstock they sustained it during the lean years of 1865, 1869 and 1870. But for that support the history of the camp might be a different story.<sup>4</sup>

Another welcome discovery toward the end of the year 1870 was made by the Chollar-Potosi, which had the largest body of quartz on the Comstock. It had been mining a large volume of \$25 ore, mill returns, during the four preceding years and paying small dividends. Then, quite unexpectedly, the rich Belvidere ore shoot was encountered near the surface, toward the south end of the mine, which yielded 70,000 tons of \$50 ore and returned \$1,946,637 in dividends, which exceeded all of the dividends theretofore paid. That ore body marked the end of profitable operations and the mine went on the assessment list, where it remained.<sup>5</sup> Isaac L. Requa,<sup>6</sup> the very able superintendent, also managed Sharon's mills for twenty years and superintended the great Combination third-line shaft from its inception in 1875 until pumping ceased in 1886.

#### THE CROWN POINT REVIVAL IN 1871

When the black year of 1870 had all but expired, J. P. Jones, superintendent of the Crown Point, reported a discovery on the 1100-foot level. It was neither large nor rich but gave promise of greater things. Raymond, in his 1873 report, says the management "stumbled upon it" south and east of the point where

<sup>4</sup>Lord suggested that "if the managers had the lion's share of the profits they had also the lion's share of the risk and labor." *Comstock Mining and Miners*, p. 331 (1883). See also, Thompson & West *History of Nevada*, p. 594 (1881).

<sup>5</sup>The surface of the Chollar-Potosi is now gashed by a great open cavern caused by the extraction of about 2,000,000 tons of ore. This was largely the work of a long period of years during which the margins of the old ore bodies were mined and milled—at little or no profit.

<sup>6</sup>Requa, always a forward-looking man, was the inventor of the self-dumping skip, which is used in mines throughout the world. He also installed the first hydraulic pump on the Comstock, to supplement the work of the Cornish pump at the Combination Shaft. He was one of the most distinguished citizens of the Comstock for twenty-five years. His imposing figure—6 feet, 2 inches in height and 240 pounds in weight—was matched by deliberate manners and speech which never failed to carry conviction. When the Combination Shaft was closed down he retired to Oakland with a fortune and became a successful banker. His son, Mark, was a successful mining engineer. He and Fred W. Bradley started the Nevada Copper mine at Ely on its great career in 1904.

the earlier east ore bodies Sharon and his associates had control of both Crown Point and Belcher without holding a majority. When the assessments began to be levied, the price of Belcher, at \$3 a share on November 1, 1870, fell to \$1.50, the market price of Belcher, at \$3 a share. Development work was not very extensive. Reports were not very encouraging. Hayward and Jones who were the only ones who

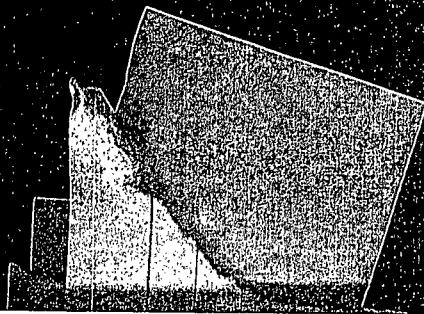
"Jones' sick baby" was a byword on "The Sick Baby" was without means, induced him to buy stock for him "upon consideration of one half of the mine." These men to sell, "although the mine. \* \* \* They began to sell short, w

The ore had been found and, as it lay on the footwall, it was a matter of time before it would extend to the surface. The price began to rise. Crown Point variations, during the first year, up and down, reaching \$3 a share, the same performance, and re

Hayward, representing the company, began to buy Crown Point stock. Lord says: "His purchase of 5,000 shares of the company, at prices ranging from \$90 to \$180 a share, is a statement is questionable. That amount of stock at San Francisco Exchange the price. The stock rose to \$180 a share. The discovery and was selling at \$180 a share. Later Hayward bought 1,000 shares, ranging from \$90 to \$180

<sup>7</sup>It was said that credit for the discovery was due to the able and popular foreman of the mine, J. P. Jones, superintendent of the Belcher mine, who had a distinguished career on the Comstock.

<sup>8</sup>Lord's *Comstock Mining*, 1879 to '83, pp. 125, 126 (1923).



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the earlier east ore bodies had died out on the 860-foot level.<sup>7</sup> Sharon and his associates, including Hayward, had been in control of both Crown Point and Belcher for years, although without holding a majority of the stock in either mine after assessments began to be levied. Crown Point stock rose quietly from \$3 a share on November 19 to \$16 on December 10. The market price of Belcher, meantime, had increased to \$7.50 a share. Development work proceeded slowly for a time and the reports were not very encouraging, due no doubt to the plans of Hayward and Jones who were aiming to secure control.

"Jones' sick baby" was given as one of the excuses, which later became a byword on "The Street" in San Francisco. Jones, who was without means, induced some San Francisco speculators to buy stock for him "upon his agreement to bear all losses in consideration of one half of the possible profits." Later, he advised these men to sell, "although assuring them of his firm belief in the mine. \* \* \* They regarded his story as a lame pretense," and began to sell short, which later cost them dear.<sup>8</sup>

The ore had been found only 200 feet north of the Belcher line, and, as it lay on the footwall of the Lode, there was every probability that it would extend into the Belcher. That stock also began to rise. Crown Point stock advanced slowly, with wide variations, during the first half of 1871, evidently manipulated up and down, reaching \$300 in June. Belcher went through the same performance, and reached \$240 by the end of that month.

Hayward, representing himself and Jones in San Francisco, began to buy Crown Point stock from the time of the discovery. Lord says: "His purchases were made so rapidly and shrewdly that he obtained 5,000 shares, nearly half of the entire stock in the company, at prices averaging less than \$5 per share." That statement is questionable. It is highly improbable that he acquired that amount of stock at such low prices. The brokers on the San Francisco Exchange were quick to note a demand and boost the price. The stock rose beyond \$5 immediately after the discovery and was selling at \$18 within three weeks. A few months later Hayward bought 1,000 shares from Charles B. Low at prices ranging from \$90 to \$180, which assured control of the mine.

It was said that credit for the discovery was due W. H. "Hank" Smith, the able and popular foreman of the Crown Point. Smith followed Sharon, became superintendent of the Belcher and other Gold Hill mines, and had a distinguished career on the Comstock and later in Utah.

<sup>4</sup>Lord's *Comstock Mining and Miners*, pp. 282, 283 (1883); Marye's *From '49 to '83*, pp. 125, 126 (1923).

Sharon appears to have been slow to learn what was going on. It is probable that he could not conceive that his associate, Hayward, and his superintendent, Jones, would play him false. Instances of that kind were rare. While warring groups of speculators fought each other with all of the means at their command—deceit being the chief weapon—they played fair among themselves. It is quite probable that both Hayward and Jones had become rebellious over little Sharon's autocratic manners and methods.

Meanwhile Sharon had been manipulating Belcher and gathering in all available stock at comparatively small prices. His biography<sup>9</sup> states that he and Ralston secured almost all of the stock in the Belcher at \$1 a share. They must have bought it from the treasury, to which it had returned for nonpayment of assessments, a favorite trick of those in control when a boom started.

Sharon was bitter when he learned that Jones and Hayward had the control of Crown Point, but made the best of the situation: "He proposed to sell to Hayward and his friends all the shares of himself and friends in the Crown Point mine, at the market price, on condition that Hayward and his friends would sell to them all of their interests in the Belcher."<sup>10</sup> The offer was accepted and the transaction closed. Lord states on the authority of Sharon that Sharon sold his 4,100 shares of Crown Point to Hayward on June 7, 1871, for \$1,400,000, which would be at the rate of \$341 a share. This was by far the largest single transaction in Comstock stocks up to that time.

The boundary line between the two mines passed downward through the middle of the bonanza, dividing it into two nearly equal parts. The Belcher's portion proved richer and more productive so that the trade eventually favored Sharon and his associates Ralston and Mills. In addition to the lion's share of the dividends, each group made private milling profits running into the millions.<sup>11</sup>

It has been estimated that the Comstock profits of Ralston, Sharon, and Mills amounted in all to about \$20,000,000, although

<sup>9</sup>*Chronicles of the Builders*, Vol. 4, p. 41.

<sup>10</sup>King's *History of the Stock Exchange*, p. 47. See also, Lord's *Comstock Mining and Miners*, pp. 282-284; Marye's *From '49 to '83*, p. 125 (1923); Shinn's *Story of the Mine*, pp. 170, 171 (1896).

<sup>11</sup>A considerable number of Crown Point stockholders organized in May 1877, and protested vigorously against the practice of the management in milling ores in their private mills instead of the company's mill. *Mining and Scientific Press*, May 19, 1877.

Ralston's speculations and v him at the very summit of s "before the year 1875, the l netted Mills over \$2,000,0 \$4,000,000 each." Their o have been less than \$10,0 Marye, Sr., about 1874, th man in California; his as When Sarah Althea Hill sue riage contract, in January 1 the alleged contract invali \$15,000,000. His sworn a exceed \$5,000,000, which denial.<sup>12</sup>

The Comstock knew only less methods and dictatorial only on the Comstock. Dur ordinate to Ralston and ne consulting him. After th made them all rich beyond independent and, when th August 26, 1875, followed i he took the lead, and, with restored the Bank's capita weeks.

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<sup>12</sup>Marye's *From '49 to '83 in C*

<sup>13</sup>The *San Francisco Chronic* rich men, credits the following Sharon, Hayward, Reese, Mills Stanford." The wealth of some



THE COMSTOCK MILLING MONOPOLY

The costly and unprofitable mills of the Ophir, the Gould & Curry, the Savage, and the Mexican during the early '60s caused those mines to send much of their lower-grade ore to custom mills. But those mills ran into debt during the lean years, chiefly to the Bank of California. When the time was ripe Sharon's Union Milling Company took them over and a new system was created whereby the productive mines ceased to own their own mills, except in small part, and had their ores reduced in mills belonging to the men in control of the mines. Thereafter, throughout the later history of the Comstock, the example set by Sharon was followed by Jones and by the Bonanza Firm, who controlled the producing mines which were not in Sharon's hands. The latter's milling rates were excessive as a rule, while those of Jones and the Bonanza Firm were moderate. Sharon and Jones, however, were not content to take their toll from profitable ore; when that failed they milled over 700,000 tons of low-grade ore during the '80s and '90s for the sole advantage of their mills. "Everything is arranged to suit the mills," wrote a correspondent. "The abuses are notorious, yet the local papers say nothing. Poor ore is mixed with good ore to increase the tonnage to the mills and there is little or no check on the sampling. Until the same respect is paid for mine stockholders as is now given to the mill stockholders your readers can expect no dividends from the Comstock mines."

The system of milling ores in the private mills of insiders came to be regarded as a matter of course, if not of right, not only by the participants but by the general public, although after the "San Francisco Chronicle" and Dewey began their attacks there was widespread public criticism. Sharon and Jones took the precaution to have the names of others appear as trustees of their mines and their private milling companies, while Mackay and his associates acted openly and became members of the boards of their concerns.

The Bonanza Firm adopted the system when it took control of the Hale & Norcross in 1869. Mackay and Fair had two idle mills at the time, which they wanted to put in operation. Additional mills were acquired as more ore was developed, and, when that mine began to fail, the Firm took a gamble on the Con. Virginia, partly in the hope of finding some low-grade ore in the old upper workings for their idle mills. That hope was not realized, but

<sup>1</sup>Mining and Scientific Press of May 3, 1890, p. 305.

the mine and the dividends were because of the millions he had the Postal Telegraph. It did not of his real estate in San Francisco railroad stocks.

Australia in October 1887 to the Ophir mine, and was succeeded by Mackay and Flood until after 1895.

made during the year ending 1895, \$80,000 was paid in dividends. It was a surprising quantity of good ore and in the adjacent stopes originally mined. It was due, he suggests, to the ore as extracted. Both the yield and the cost of extraction were rapidly.

October 1, 1895, when \$216,000 worth of ore discovered on the Ophir then surrendered control to Mackay and Flood and retired from Comstock in August 1895 in company with

inclusive, the mine produced 17,221, coin value, or \$19.11 a ton. The dividends of \$3,898,800 were paid, and the majority to the Sutro Tunnel Company. It was noted that of the coin value of the average milling charge was recovered. Mackay and Flood which enabled them to make a profit. They had invited a test of the ore but no stockholder brought suit from the 1200 to the 1750 level.

low-grade operations in the Ophir were paid by any other in their history with the exception of the Ophir, the Belcher.

<sup>2</sup>Rules as laid down by Chief Justice of the California Reports, pp. 369-431, attached in Comstock history.